



WEEK IN REVIEW

with SKC & Co. CPAs

IRS ISSUED DEBIT CARDS – TAKE NOTE!

For those who do not receive direct deposit, the Treasury and IRS will be sending Economic Impact Payments by prepaid debit card, instead of paper check. The payment cards will arrive in a plain envelope from **Money Network Cardholder Services**. The payment card can be used online, at ATMs, or at any retail location where Visa is accepted.

<https://home.treasury.gov/news/press-releases/sm1012>

HOUSE PROPOSES EXTENDING PPP 8 WEEK SPENDING PERIOD TO 24 WEEKS

The House bill proposes extending the time in which businesses must use the funds from eight weeks to 24 weeks; amending the 75/25 rule for how much businesses must spend on payroll versus non-payroll costs in order to get full forgiveness of the loan. However, the Senate also has its own PPP extension bill, that would propose increasing that time frame from eight weeks to 16 weeks, extend the deadline to apply for the PPP, and allow businesses to use funds to purchase protective equipment for employees, among several other amendments. The House bill now heads to the Senate for a vote and must be signed by the President to become law.

<https://www.journalofaccountancy.com/news/2020/may/house-bill-relaxes-ppp-loan-forgiveness-requirements.html>

IRS APPLICABLE FEDERAL RATES (AFR)

For June 2020, the IRS Applicable Federal Rates (AFR) have recently been lowered significantly to the following:

- **Short-term** 0.18%
- **Mid-term** 0.43%
- **Long-term** 1.01%

Loans between family members, related businesses and for tax planning can be made and locked in now at a very beneficial interest rate. For any existing related party loans at higher rates, they may consider repaying them and negotiating a new loan for a longer period of time.

<https://www.irs.gov/pub/irs-drop/rr-20-12.pdf>

PPP FORGIVENESS: FTE REDUCTION CALCULATION EXEMPTION

According to the SBA's updated guidance issued on May 20th, employees whom the borrower offered to rehire are generally exempt from the CARES Act loan forgiveness reduction calculation. This exemption is also available if a borrower previously reduced the hours of an employee and offered to restore the employee's hours at the same salary or wages. In calculating the loan forgiveness amount, a borrower may exclude any reduction in a full-time equivalent (FTE) employee's headcount that is attributable to an individual employee if:

- The borrower made a good faith, written offer to rehire such employee (or, if applicable, restore the reduced hours of such employee) during the covered period or the alternative payroll covered period
- The offer was for the same salary or wages and same number of hours as earned by such employee in the last pay period prior to the separation or reduction in hours;
- The offer was rejected by the employee
- The borrower has maintained records documenting the offer and its rejection
- The borrower informed the applicable state unemployment insurance office of the employee's rejected offer of reemployment within 30 days of the employee's rejection of the offer

An FTE reduction will not count employees who have refused offers to return at the same pay and hours. The employer is now obligated to inform the state DOL (in writing) of the rejection. Employees fired "for cause" will also not be included as an FTE reduction.

<https://home.treasury.gov/system/files/136/PPP-IFR-Loan-Forgiveness.pdf>

SBA RELEASES ADDITIONAL REVIEW PROCEDURE GUIDANCE

The SBA released additional guidance to establish review procedures regarding the borrower's eligibility for a PPP loan and loan forgiveness, and the borrower's use of PPP loan proceeds and loan forgiveness amount.

<https://home.treasury.gov/system/files/136/PPP-IFR-SBA-Loan-Review-Procedures-and-Related-Borrower-and-Lender-Responsibilities.pdf>

U.S. DEPARTMENT OF LABOR: FLUCTUATING WORKWEEK METHOD OF COMPUTING OVERTIME

On May 20, 2020, the U.S. Department of Labor announced a final rule that allows employers to pay bonuses or other incentive-based pay to salaried, nonexempt employees whose hours vary from week to week. The final rule clarifies that payments in addition to the fixed salary are compatible with the use of the fluctuating workweek method under the Fair Labor Standards Act (FLSA).

<https://www.dol.gov/agencies/whd/overtime/fww>

As always, feel free to reach out to the SKC team with any questions.

We are here to help you!

(973) 335-1112 | info@skcandco.com